

MINUTES

KANSAS BUSINESS HEALTH POLICY COMMITTEE

June 23, 2005

**Kansas Insurance Department
Topeka, Kansas**

MEMBERS PRESENT:

Insurance Commissioner Sandy Praeger
Scott Brunner, SRS
Jeff Levin, Manhattan
John Naramore, Lawrence

MEMBERS ABSENT:

Representative Willa DeCastro, Wichita
Howard Fricke, Kansas Department of Commerce
Representative Sue Storm, Shawnee Mission
Senator Ruth Teichman, Stafford

OTHERS PRESENT:

Karen Braman, Deputy Director, Governor's Office of Health Planning and Finance
Bob Day, Director, Governor's Office of Health Planning and Finance
Wendy Dressler, Governor's Office of Health Planning and Finance
Andrew Allison, Kansas Health Institute
Ken Daniel, Kansas Health Partners Benefit Association
Cindy Hermes, Kansas Insurance Department
Barbara Torkelson, Kansas Insurance Department
Tom Steiner, Mercer Consulting
Mark Whiting, Mercer Consulting
Jon Gruber (via phone), MIT
Beverly Gossage, Olympic Financial Marketing
Barbara Langner, University of Kansas

Kansas Business Health Policy Committee
June 23 2005
10:00AM – 12:00PM, Kansas Insurance Department

Bob Day introduced Jeff Levin, owner of Varney's Bookstore in Manhattan, as a new member of the Business Health Policy Committee and announced that Pat Kaufman resigned from the Committee.

Bob Day gave an overview of House substitute for SB272. The bill reorganizes health care purchasing for the state of Kansas effective July 1, 2005 through the creation of the Division of Health Policy and Finance (DHPF) and the Kansas Health Policy Authority. The reorganization will transfer health insurance programs, including Medicaid and SCHIP, as well as the Business Health Policy Committee functions from SRS to the new DHPF. The Governor put forth the reorganization through executive order (ERO) as part of her health care reform agenda for the 2005 Legislative Session. The ERO was not passed by the legislature, however, the legislature took many elements of the Governor's proposal, added legislative oversight, transferred more entities into the Division of Health Policy and Finance and created a new state agency—the Kansas Health Policy Authority.

There are two phases to the reorganization. First, on July 1, 2005 Medicaid will officially transfer from SRS to DHPF. Simultaneously, the Kansas Health Policy Authority (Authority) is established as a new agency in the Executive Branch with board members to be appointed by August 1, 2005. The Authority will be made up of 7 non-voting ex officio members: KDHE Director of Health, Secretary of KDHE, Secretary of SRS, Commissioner of Insurance, Secretary of Administration, Secretary of Aging, Executive Director of Authority; 6 members appointed from the legislature: 1 Minority from each chamber and 2 Majority from each chamber; and 3 appointments by the Governor. The Kansas Health Policy Authority then becomes a new state agency on July 1, 2006. The Authority will appoint an Executive Director, subject to Senate confirmation, although that person also may be approved to operate by the Senate Confirmation Oversight Committee prior to confirmation by the Senate. All functions of the DHPF, as well as the functions of SRS under the Kansas Business Health Partnership transfer to the Authority on July 1, 2006. The Authority will assume functions of the Health Care Data Governing Board on January 1, 2006. Additionally, the Governor submitted a Governor's Budget Amendment (GBA) requesting \$500,000 to pilot a subsidy for the BHP product for the last quarter of fiscal year 2006, which the Legislature approved.

Tom Steiner, Mercer, and Jon Gruber, MIT, gave a presentation on uninsured coverage. The goals of the research project funded by the Commonwealth Fund are to maximize coverage of the uninsured, offer a comprehensive, affordable benefit package, develop a product acceptable to stakeholders (uninsured, carriers, providers, CMS, etc.), and to adhere to insurance product mandates. Economic modeling was completed by Dr. Gruber to determine the mix of cost-sharing between the employee, employer, and state that would produce the greatest reduction in uninsured. Economic modeling shows us that coverage through the employer is more efficient than through the employee, efficiency of coverage decreases as enrollment increases, efficiency of coverage

increases the more tightly the product is targeted (i.e., at specified income level or FPLs), and that employees are more likely to purchase insurance as their costs increase. That is, employers are more price-sensitive than employees. Mercer developed a base plan and two variations of the benefit design. (See Appendix) The Base Plan design is a combination of Kansas SEHP and Main's Dirigo program plan designs. Option 1 has a \$150 copay on ER services versus \$75/visit for Base Plan and Option 2. Option 2 does not include a prescription drug benefit. Modeling for 150%FPL and using employee/employer/state contribution rates of 30/10/60 percentages the economic model output for the Base Plan includes: a policy premium of \$313, an estimated 11,000 net decrease in uninsured, at a cost to the state of an estimated \$18 million, or \$1,650 per newly insured per year. Option 1 has a policy premium of \$302, and would reduce the uninsured by an estimated 11,000 individuals, at an annual cost to the state of \$17 million, or \$1,550 per newly insured per year. Option 2 has a policy premium of \$233, and would reduce the uninsured by an estimated 12,000 individuals at an estimated annual cost to the state of \$14 million, or \$1,150 per newly insured per year. Discussion after the presentation included a comment that employees in firms of less than 25 employees are more likely to be uninsured. Do we want to focus on covering businesses with 2-25 employees? A statement was made that the money will be better spent focusing on smaller businesses. FPL can cover up to 200% but it could go lower or we could implement a sliding scale.

Next Meeting:

Tuesday, August 2, 2005, 1:00PM – 3:00PM in the 3rd floor conference room of the Kansas Insurance Department (420 SW 9th Street, Topeka).

You may also check out our website at

http://www.ksgovernor.org/healthPlanning/workgroups_hp.html for scheduled meeting dates, times, and locations as well as past meeting agendas, minutes, presentations and handouts.

Appendix

Benefit Packages

Benefit Design – Individual Coverage

	BASE PLAN	OPTION 1	OPTION 2
In-Network Deductible	▪ \$500	▪ \$500	▪ \$500
Coinsurance	▪ 70%	▪ 70%	▪ 70%
OOP Max	▪ \$2,200	▪ \$2,200	▪ \$2,200
Inpatient	▪ \$300 copay per admit, then subject to deductible and coinsurance	▪ \$300 copay per admit, then subject to deductible and coinsurance	▪ \$300 copay per admit, then subject to deductible and coinsurance
Outpatient	▪ Subject to deductible and coinsurance	▪ Subject to deductible and coinsurance	▪ Subject to deductible and coinsurance
Physician	▪ \$15 copay for PCP ▪ \$25 copay for specialist ▪ 100% preventive care	▪ \$15 copay for PCP ▪ \$25 copay for specialist ▪ 100% preventive care	▪ \$15 copay for PCP ▪ \$25 copay for specialist ▪ 100% preventive care
Pharmacy	3 Tiers: ▪ \$10 copay generics ▪ \$25 copay preferred ▪ \$50 copay on non-preferred ▪ \$1,000/\$3,000 OOP max	▪ 50/50 coinsurance ▪ \$1,000/\$3,000 OOP max	▪ No coverage
Cost (PMPM)	▪ \$313	▪ \$302	▪ \$233

Note: 1. Option 1 has a copay on ER services of \$150/visit versus \$75/visit for Base Plan and Option 2.

2. Base Plan design is a combination of Kansas SEHP and Maine's Dirigo program plan designs.